

TO: Department Directors, Deputy Directors, and Budget Officers

FROM: Linda Luebbering

DATE: July 30, 2004

RE: Fiscal Year 2006 Tax Credit Analysis Form

In my May 28 memo on the FY 2006 budget instructions, I indicated we were in the process of reviewing and possibly revising the tax credit analysis (TCA) form. The revisions have been made and the revised form and instructions are attached. The revisions were necessary to address concerns raised by legislators, their staff, and department staff. Also, the revisions will make the reporting on tax credits more consistent with reporting for all other programs as a result of SB 299 (2003), the performance based budget bill.

As you know SB 1099 (2004), the tax credit accountability act, requires agencies to implement a system for tracking tax credits. The Governor's office has asked departments to work together to develop a single tracking system. It is hoped that system will provide all of the information requested on the TCA form, making a separate form unnecessary. However, it is highly unlikely that system will be ready for the FY 2006 budget cycle, making completion of the separate form necessary for at least one more year.

The completed TCA forms are to be submitted by October 1. They should be submitted as a separate packet from the department's budget request.

cc: Marga Hoelscher
Marty Drewel

TAX CREDIT ANALYSIS FORM

General Information

Per 33.282.2 RSMo, each department authorized to offer deductions, exemptions, credits or other tax preferences shall submit the estimated amount of such tax expenditures for the fiscal year beginning July 1st of the following year and a cost/benefit analysis of such tax expenditures for the preceding fiscal year. Such estimates and analyses shall be submitted to the budget director in the manner and form prescribed by him/her. The budget director will then submit the forms to the Senate Appropriations Committee and the chairman of the House Budget Committee by January 1st of each year. The Tax Credit Analysis Form will fulfill each department's statutory obligation.

Instructions for Completing the Form

Use the form provided with these instructions and please do not modify the format. The General Assembly has requested as much consistency as possible, so the page headers and other format settings should be consistent. However, should more space be needed in text boxes, add rows in the corresponding places in the Excel sheet.

Please provide the most up-to-date information available when completing the form.

Program name: List name of tax credit/exemption, deduction program

Department: List department name. Do not use abbreviations.

Date: List the month and year submitted to the Division of Budget and Planning (i.e. October, 2004)

Program category: Choose the appropriate category for each tax preference, if applicable, using the categories established in 135.800-135.830 RSMo (SB 1099, 2004). SEE ATTACHMENT ONE FOR LISTING OF CATEGORIES. If the tax preference is not on the list of categories, fill in this box with N/A.

Type: Check the applicable type for this program. If "other" is checked, list the specific type of preference available under this program.

Statutory authority: Cite the authorizing statute reference(s).

Applicable taxes: List ALL taxes that are affected by the tax preference.

Program description and eligibility requirements: Give a brief description of the program, describing the eligibility requirements, the type of tax preference available, any limits to the program, etc.

Explanation of how award is computed: Check whether the tax preference is a discretionary or an entitlement program, and if discretionary, discuss the department's process for choosing recipients. Give a detailed description of the method used to calculate awards pursuant to the program.

Program cap: If there is a cap, indicate the type and amount of the cap. If the cap is cumulative, indicate the amount remaining.

Explanation of cap: Give a brief explanation of the cap and how it is applied.

Explanation of expiration of authority: Give a brief summary of any provisions that may affect the authority of this program, and cite appropriate statutes.

Specific provisions: Check all applicable provisions for the program. If the program has carry forward/back provisions, indicate the number of applicable years. Indicate if they are refundable and/or sellable/assignable and if there are additional federal deductions available similar to or related to this program. Add comments as necessary.

Certificates issued: If available, provide the total number of credits, deductions or exemptions issued during the fiscal years listed. Specifically, this amount includes any tax credit certificates awarded during the specified fiscal year.

Projects: If available, provide the number of projects for which a certificate was issued during the specified fiscal year. (This number may be the same as the number of certificates issued.)

Amount Authorized: List the amount authorized for the appropriate fiscal year. The amount authorized is equal to the amount of tax credits approved during the specified fiscal year.

Amount Issued: List the amount issued for the appropriate fiscal year. This amount includes any tax credit certificates awarded during the specified timeframe.

Amount Redeemed: List the amount redeemed for the appropriate fiscal year.

Amount Outstanding: If possible, estimate the amount outstanding at the close of the fiscal year just completed (in this case FY 2004). Amount outstanding is equal to the amount issued, less the amount redeemed, less any expired awards.

Historical and Projected Information: This graphic details program activity for the previous three fiscal years, and is driven by the table above. The scale of the graph can be adjusted if necessary. Data series that are not applicable can be deleted.

Comments on Historical and Projected Information: Add any clarifying comments necessary. For instance, discuss how the number of certificates issued relates to the number of projects.

BENEFIT/COST ANALYSIS

The benefit/cost analysis is integral to the evaluation of a program's effectiveness and value. While the diversity of the many tax preferences somewhat precludes an easy side-by-side comparison of tax preferences, the benefit/cost comparison provided for each program gives policymakers information necessary to make informed decisions relative to that particular program. This portion of the Tax Credit Analysis Form is designed to provide "hard" numbers related to state fiscal benefits and costs, but it also gives departments an opportunity to articulate the non-tangible gains that can't be quantified in monetary terms.

This form also allows departments to provide two versions of the benefit/cost analysis. Departments are required to calculate the first version, using data solely from the previous fiscal year (FY 2004), as mandated by 33.282 RSMo. The second optional version can be for any combination of consecutive fiscal years chosen by the department. Frequently, the true fiscal benefits and costs are not represented in a single-year analysis; therefore departments may choose a timeframe greater than one fiscal year to demonstrate the actual benefits/costs that should be attributed to a particular program. The timeframe for this analysis should not be chosen arbitrarily, but should in some fundamental way relate to the program itself. For instance, if a program has a 5-year carry-forward provision, a 5-year timeframe may be suitable.

Direct fiscal benefits: Give the dollar amount of direct state fiscal benefits realized as a result of this program for the designated timeframe. Direct benefits may include items such as the increased state withholding taxes associated with new jobs created directly at the facility in question, or the new state sales taxes realized from purchases for construction for the project in question. These benefits can vary by program.

Indirect fiscal benefits: If known, give the dollar amount of indirect state fiscal benefits associated with this program for the designated timeframe. Indirect benefits may include items such as the increased state withholding taxes stemming from "spin-off" jobs that result from the project, or increased state sales tax receipts resulting from the expenditure of new wages. Also, indirect benefits may include any fiscal savings that occur as a result of the program. For instance, if a tax preference reduces the need for state spending, these savings could be considered an indirect fiscal benefit.

Direct fiscal costs: Give the dollar amount of direct state fiscal costs incurred as a result of this program for the designated timeframe. Direct costs include the amount redeemed during the specified timeframe, as well as personal service, expense, and fringe costs for staff dedicated to the program. The staff costs counted as "direct" costs would be those costs that an agency would not incur if the program did not exist. Do not duplicate direct staff costs on this form and your Program Descriptions Forms. Any such costs reported on the Tax Credit Analysis Form should be excluded from the Program Description Forms and vice versa.

Indirect costs: If known, please provide any indirect state fiscal costs incurred as a result of this program for the designated timeframe. In order to be consistent with guidance from the Interagency Planning Council, do not include indirect administrative costs.

Other benefits: Describe in detail any other benefits realized as a result of this program that may not be quantifiable as state fiscal benefits. Such “other” benefits may include improved community infrastructure or programs, improved environmental conditions, increased local tax revenues, the removal of blight, the availability of affordable housing or other resources, access to educational or training opportunities, or a host of other appropriate benefits.

Derivation of benefits: Give a detailed accounting of how the benefit amounts were calculated. For example, show the number of new jobs created and the estimated salaries to determine the new withholding taxes resulting from the program. If both temporary and permanent new jobs are created, indicate the number that are temporary and the number that are permanent. Be specific and provide information that will help the average lay reader understand your computations.

Performance measure(s): Departments should include a limited number of significant, pertinent performance measures. Departments are encouraged to use graphic information when possible. (If using graphics to represent performance measures, use the “Form Data Sheet” tab to input the supporting data. See the “Permanent New Jobs Created” graph for an example.) When available, departments should include previously projected versus actual performance data for the previous three fiscal years, projected performance for the current fiscal year, and targeted performance for the upcoming two fiscal years. The number of measures should be limited to four or fewer.

ATTACHMENT ONE
Tax Credit Categories defined in 135.800-135.830 RSMo

Agricultural

- Agricultural product utilization contributor
- New generation cooperative incentive
- Wine and grape production

Business Recruitment

- Business facility
- Enterprise zone**
- Business use incentives for large-scale development programs (BUILD)
- Neighborhood Assistance*
- Rebuilding Communities
- Film Production

Community Development

- Neighborhood assistance*
- Family development account
- Dry fire hydrant
- Transportation development

Domestic and Social

- Youth opportunities
- Shelter for victims of domestic violence
- Senior citizen or disabled person property tax
- Special needs adoption
- Maternity home
- Shared care

Environmental

- Charcoal producer
- Wood energy
- Manufacturing & recycling flexible cellulose casing

Entrepreneurial

- Capital
- Certified capital company
- Seed capital
- New enterprise creation
- Research
- Small business incubator
- Guarantee fee
- New generation cooperative*

Housing

- Neighborhood preservation
- Low income housing
- Affordable housing

Redevelopment

- Historic preservation
- Brownfield redevelopment
- Community development corporations
- Infrastructure
- Bond guarantee
- Disabled access

Training and Educational

- Community college new jobs
- Skills development account
- Mature worker (deleted in SB 1155, 2004)
- Sponsorship and mentoring

*Listed under multiple categories

**Certain enterprise zone abatements will end in 2005

TAX CREDIT ANALYSIS

Program Name:	Department:	Date:
Program Category:	Type: Tax Credit _____ Other (specify) _____	
Statutory Authority:	Applicable Taxes:	
Program Description and Eligibility Requirements:		

Explanation of How Award is Computed: Entitlement _____ Discretionary _____

Program Cap: Cumulative \$ _____ (remainder of cumulative cap) \$ _____ Annual \$ _____ None _____

Explanation of cap:

Explanation of Expiration of Authority:

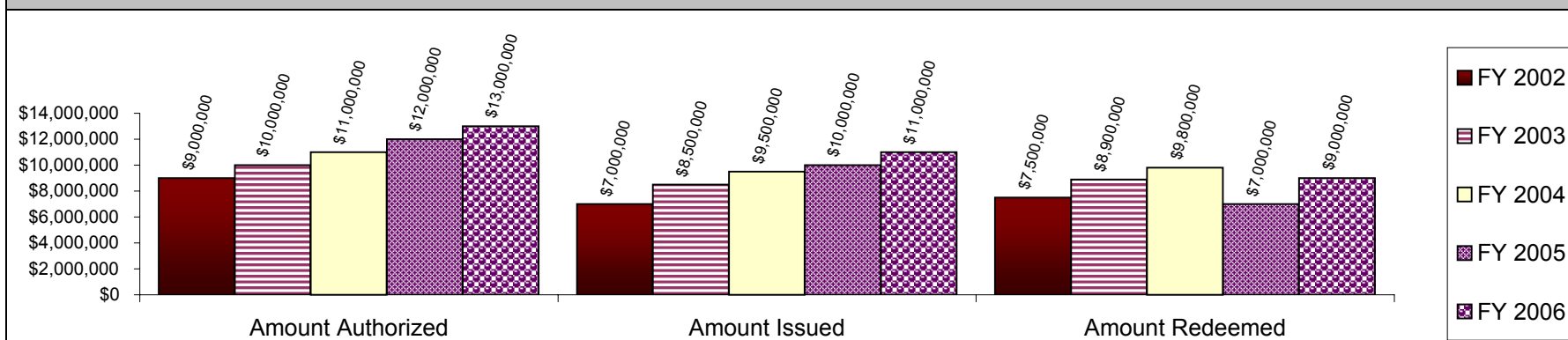
Specific Provisions: (if applicable)

Carry forward _____ years Carry Back _____ years Refundable _____ Sellable/Assignable _____ Additional Federal Deductions Available _____

Comments on Specific Provisions:

	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 (current year)	FY 2006 (budget year)
Certificates Issued (#)	30	40	45	50	50
Projects (#)	15	20	21	25	25
Amount Authorized	\$9,000,000	\$10,000,000	\$11,000,000	\$12,000,000	\$13,000,000
Amount Issued	\$7,000,000	\$8,500,000	\$9,500,000	\$10,000,000	\$11,000,000
Amount Redeemed	\$7,500,000	\$8,900,000	\$9,800,000	\$7,000,000	\$9,000,000
EST. Amount Outstanding	N/A	N/A	\$18,000,000	N/A	N/A

HISTORICAL AND PROJECTED INFORMATION



TAX CREDIT ANALYSIS

Comments on Historical and Projected Information:

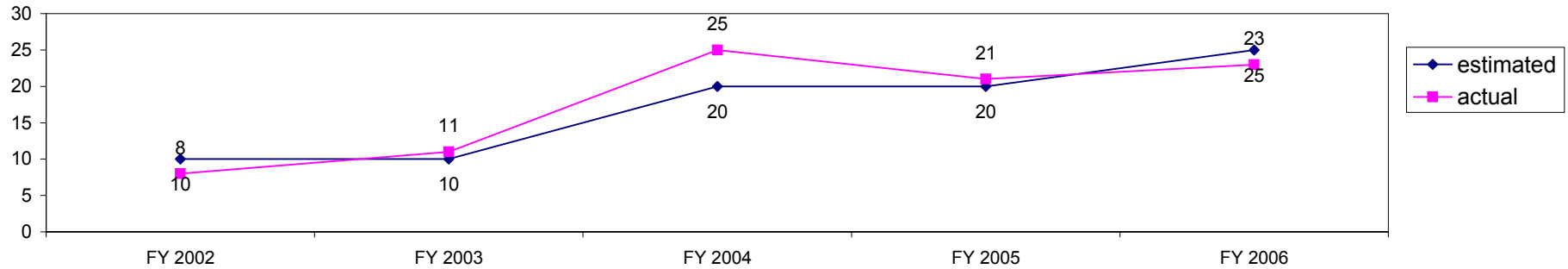
BENEFIT: COST ANALYSIS (includes only state revenue impacts)		
	FY 2004 ACTUAL	Other Fiscal Period (indicated time period)
BENEFITS		
Direct Fiscal Benefits		
Indirect Fiscal Benefits		
Total		
COSTS		
Direct Fiscal Costs		
Indirect Fiscal Costs		
Total		
BENEFIT: COST	#DIV/0!	#DIV/0!

Derivation of Benefits:

Other Benefits:

PERFORMANCE MEASURE(S)

Permanent New Jobs Created



Comments on Performance Measure: